

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 COME-00

CIAE-00 INR-11 NSAE-00 DRC-01 /120 W

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P 020433Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5722

LIMITED OFFICIAL USE MANILA 9207

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJECT: PHILIPPINE COCONUT OIL

REF: A. STATE 166631

B. MANILA 7556

C. MANILA 7106

1. MORNING PRESS AUGUST 1 CARRIES REPORT OF TEMPORARY SUSPENSION BY PRESIDENT MARCOS ON JULY 31 OF EXPORTATION OF ALL COCONUT PRODUCTS. ANNOUNCEMENT STATES EXISTING CONTRACTS WILL BE HONORED. BAN WAS ANNOUNCED AS A MOVE TO THWART INTERNATIONAL SPECULATORS WHOSE "MACHINATIONS" ARE ALLEGED TO HAVE CAUSED AN ABRUPT DECREASE IN COCONUT OIL PRICE FROM 60 TO 50 CTS. PER LB. THE ANNOUNCEMENT STATED THAT WHEN EXPORTS ARE RESUMED, THEY WILL BE REGULATED BY A COCONUT MARKETING BOARD TO BE CREATED BY PRESIDENTIAL DECREE.

2. DUE TO WELL-KNOWN PROSPECTIVE INCREASES IN SUPPLY, IT SEEMS PROBABLY THAT BUYERS ARE DEFERRING PURCHASES TO WATCH THE PRICE TREND, AND THEY ARE OFFERING LESS ON CONTRACTS FOR FUTURE DELIVERY. THIS WOULD BE THE BASIS FOR SO-CALLED "MACHINATIONS". BECAUSE OF DROUGHT, COPRA PRODUCTION IN FIRST HALF

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1974 TOTALED ONLY 567,000 LONG TONS, 40 PERCENT BELOW

952,000 LT OF 1ST HALF 1973. ABNORMALLY LOW SUPPLY HAS PRODUCED ABNORMALLY HIGH PRICES, BUT SECOND HALF 1974 PRODUCTION IS EXPECTED TO INCREASE 90 PERCENT TO ONE MILLION TONS, ABOUT 21 PERCENT HIGHER THAN SECOND HALF 1973. YEAR'S OUTTURN MAY THUS FALL SHORT OF 1973 BY ONLY 10 PERCENT AND WILL EXCEED 1965-1972 AVERAGE BY 7 PERCENT.

3. DESPITE PHILIPPINE NEAR-MONOPOLY IN WORLD COCONUT OIL MARKET, SEEMS UNLIKELY WITH THIS SUPPLY PICTURE AND SUBSTITUTABILITY OF VERGETABLE OILS THAT SLIDE IN PRICES CAN BE LONG REVERSED. HOWEVER, BY ITS INTERVENTION GOVERNMENT LENDS FURTHER CREDENCE TO REPORTS THAT IT INTENDS TO TAKE OVER EXPORT MARKETING OF COCONUT PRODUCTS, LOGS, AND MINERALS IN ADDITION TO SUGAR. EMBASSY HAS CONFIRMED THAT SECRETARY OF TRADE QUIAZON DID INDEED MAKE REMARKS ATTRIBUTED TO HIM IN THIS REGARD(REFTELS B AND C). AS OF NOW, HOWEVER, NO INFORMATION AVAILABLE AS TO WHETHER COCONUT MARKETING BOARD IS INTENDED TO BE GOVERNMENT'S SOLE MARKETING AGENT FOR COCONUT PRODUCTS.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, OILS, PRESS COMMENTS, COCONUTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA09207
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-0517
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740879/aaaacpwn.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 166631
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2002 by worrelsw>; APPROVED <25 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE COCONUT OIL
TAGS: EAGR, RP, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005